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UNITED STATES HOUSE OF REPRESENTATIVES
Washington, DC 20510

Hon. Jim Nussle
Chairman
House Budget Committee
309 Cannon House Office Building
Washington, DC 20515

Hon. John M. Spratt
Ranking Member
House Budget Committee
B71 Cannon House Office Building
Washington, D.C. 20515

Dear Honorable House of Representatives:

As you near consideration of the FY 2006 Budget Resolution, the City of Milpitas is writing to express its opposition to proposed cuts in the FY 2006 HUD budget, and particularly to oppose inclusion in the Budget Resolution of the budget proposal to cut funding for the Community Development Block Grant (CDBG) Program and to transfer that program to the Department of Commerce.

The FY 2006 Budget includes a proposal to consolidate 18 programs, including the CDBG, into a new program to be operated by the Department of Commerce. Proposed funding for this consolidated program would be 35% lower than the combined FY 2005 appropriated level for these 18 programs. The pro rata reduction for CDBG alone would be \$1.42 billion.

This funding reduction would have a significant negative impact on the ability for states and localities to address local housing and community development needs. Housing would be particularly hard hit. Given the average home price in Santa Clara County is approximately \$600,000. Last year, \$1.16 billion of CDBG funds were used for housing, resulting in 112,000 homeowners receiving assistance to rehabilitate their homes, 11,000 families becoming first-time homebuyers, and 19,000 rental housing units being rehabilitated. Since housing would presumably no longer be an eligible activity in this new Commerce Department program, communities throughout the nation would lose this valuable affordable housing resource.

Milpitas is also concerned that adoption of this proposal could eliminate funding for a large number of communities. Although the proposal does not include a detailed funding formula for the new program, it states that it *"targets resources only to communities that need assistance, based on jobs and poverty loss"* further noting that only *"38% of CDBG funds currently go to states and communities with poverty rates that are lower than the national average"*. A dramatic narrowing of funding eligibility would jeopardize the ability of countless moderate-income communities to create jobs and affordable housing opportunities for lower income working families.

The Department of Housing and Urban Development, in its "Highlights of FY 2005 CDBG Accomplishments" states that *"The CDBG Program is based on the concept that local communities and states can best determine priority community development needs and then develop strategies and programs to address those needs. This local flexibility is a hallmark of the program. The process includes significant citizen participation."*

The proposed changes to CDBG would jeopardize the flexibility and local control that are the hallmark of the program.

CDBG is a program that works. Therefore, Milpitas support full funding for CDBG, and believes it is premature for the Budget Resolution to even address such a far-reaching change to the program before communities of jurisdiction have an opportunity to hold hearings on the topic.

The City of Milpitas thanks you for your consideration of this request.

Sincerely,

Jose S. Esteves
Mayor, City of Milpitas

UNITED STATES SENATE
Washington, DC 20510

March 16, 2005

Honorable Senator Dianne Feinstein
321 Hart Senate Office Building
Washington, DC 20515

Dear Senator Feinstein:

As you near consideration of the FY 2006 Budget Resolution, the City of Milpitas is writing to express its opposition to proposed cuts in the FY 2006 HUD budget, and particularly to oppose inclusion in the Budget Resolution of the budget proposal to cut funding for the Community Development Block Grant (CDBG) Program and to transfer that program to the Department of Commerce.

The FY 2006 Budget includes a proposal to consolidate 18 programs, including the CDBG, into a new program to be operated by the Department of Commerce. Proposed funding for this consolidated program would be 35% lower than the combined FY 2005 appropriated level for these 18 programs. The pro rata reduction for CDBG alone would be \$1.42 billion.

This funding reduction would have a significant negative impact on the ability for states and localities to address local housing and community development needs. Housing would be particularly hard hit. Given the average home price in Santa Clara County is approximately \$600,000. Last year, \$1.16 billion of CDBG funds were used for housing, resulting in 112,000 homeowners receiving assistance to rehabilitate their homes, 11,000 families becoming first-time homebuyers, and 19,000 rental housing units being rehabilitated. Since housing would presumably no longer be an eligible activity in this new Commerce Department program, communities throughout the nation would lose this valuable affordable housing resource.

Milpitas is also concerned that adoption of this proposal could eliminate funding for a large number of communities. Although the proposal does not include a detailed funding formula for the new program, it states that it *"targets resources only to communities that need assistance, based on jobs and poverty loss"* further noting that only *"38% of CDBG funds currently go to states and communities with poverty rates that are lower than the national average"*. A dramatic narrowing of funding eligibility would jeopardize the ability of countless moderate-income communities to create jobs and affordable housing opportunities for lower income working families.

The Department of Housing and Urban Development, in its "Highlights of FY 2005 CDBG Accomplishments" states that *"The CDBG Program is based on the concept that local communities and states can best determine priority community development needs and then develop strategies and programs to address those needs. This local flexibility is a hallmark of the program. The process includes significant citizen participation."*

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The City of Milpitas thanks you for your consideration of this request.

Sincerely,

Jose S. Esteves
Mayor, City of Milpitas

UNITED STATES SENATE
Washington, DC 20510

March 16, 2005

Honorable Senator Barbara Boxer
112 Hart Senate Office Building
Washington, DC 20515

Dear Senator Boxer:

As you near consideration of the FY 2006 Budget Resolution, the City of Milpitas is writing to express its opposition to proposed cuts in the FY 2006 HUD budget, and particularly to oppose inclusion in the Budget Resolution of the budget proposal to cut funding for the Community Development Block Grant (CDBG) Program and to transfer that program to the Department of Commerce.

The FY 2006 Budget includes a proposal to consolidate 18 programs, including the CDBG, into a new program to be operated by the Department of Commerce. Proposed funding for this consolidated program would be 35% lower than the combined FY 2005 appropriated level for these 18 programs. The pro rata reduction for CDBG alone would be \$1.42 billion.

This funding reduction would have a significant negative impact on the ability for states and localities to address local housing and community development needs. Housing would be particularly hard hit. Given the average home price in Santa Clara County is approximately \$600,000. Last year, \$1.16 billion of CDBG funds were used for housing, resulting in 112,000 homeowners receiving assistance to rehabilitate their homes, 11,000 families becoming first-time homebuyers, and 19,000 rental housing units being rehabilitated. Since housing would presumably no longer be an eligible activity in this new Commerce Department program, communities throughout the nation would lose this valuable affordable housing resource.

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The proposed changes to CDBG would jeopardize the flexibility and local control that are the hallmark of the program.

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